

Educational Loan Notes

Monthly Newsletter



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December 2008

Printer Friendly Version

SEASON'S GREETINGS FROM MGA

Feeling a little harried? Need a moment to relax and regroup? Why not take a minute (ok, three, actually) and immerse yourself in a little seasonal ambiance? It does wonders for your disposition. Click for [Season's Greetings!](#)

SCHOOLS HEAR THE LATEST AT MGA'S 2008 FALL SCHOOL WORKSHOPS

The Michigan Guaranty Agency sponsored Fall School Workshops at Schoolcraft College on November 12 and Grand Rapids Community College on November 13. The workshops were attended by 128 financial aid professionals from 51 different schools.

Mason Moton, Customer Training Representative, Sallie Mae Education Resource Center, presented valuable information on:

Federal update. This update reviewed the provisions of the Ensuring Continued Access to Student Loans Act of 2008 and new regulations issued as a result of this year's negotiated rulemaking. The session provided a summary of aid-related provisions of the new Veterans Affairs Appropriations Act, as well as an update on the reauthorization of the Higher Education Act of 1965, as amended. Mr. Moton also examined the changes in need analysis and the financial aid delivery system for the 2009-2010 year.

Policies and procedures. Writing policies and procedures can be a piece of cake if you have the right ingredients. Mr. Moton showed all participants how to select the best templates, how others on campus can help, and what resources you likely already have. He also focused on how to address the common barriers that prevent offices from completing this task.

Return of Title IV funds. Participants explored the elements of a Return of Title IV funds calculation and discussed what must be considered as a part of the calculation, reviewed the federal requirements for deadlines and time frames, and worked through hands-on case studies to understand the process. The session concluded with tips and suggestions for ensuring that the participants' policies and procedures manuals have the necessary information related to withdrawals and Return of Title IV funds calculations.

Workshop evaluations indicate that the Federal Update and Policies and Procedures sessions were the most helpful. Participants also enjoyed a challenging case study relating to the Return of Title IV funds.

Workshop manuals are available for those who were unable to attend. If you would like a manual, please contact Stacy Cardwell at 1-800-642-5626, extension 36074, or via email at cardwells@michigan.gov.

FISCAL YEAR 2007 COHORT DEFAULT RATE CALCULATIONS

NSLDS will calculate draft fiscal year (FY) 2007 cohort default rates (CDRs) on January 3 and release draft CDRs on February 9, 2009. Official FY 2007 CDRs will be calculated August 1 and released September 14, 2009.

FORM 1098-T REPORTING FOR SCHOOLS

This is a reminder to schools that they are required by federal law to file Form 1098-T, Tuition Statement, if the school is an eligible educational institution. The school must file for each student that they enroll and for whom a reportable transaction is made, and report financial transactions for each student enrolled to the IRS by March 2, 2009. The reporting deadline is March 31, 2009, if filed electronically; schools with more than 250 students must file electronically. ***This reporting must include a statement to the student by February 2, 2009.***

Schools must report such items as qualified educational expenses (tuition, fees, etc.), scholarships, and adjustments on Form 1098-T. A copy of Form 1098-T may be accessed at: <http://www.irs.gov/pub/irs-pdf/f1098t.pdf>.

An eligible educational institution is a college, university, vocational school, or other post-secondary educational institution that is described in section 481 of the Higher Education Act of 1965 as in effect on August 5, 1997, and that is eligible to participate in the U.S. Department of Education's student aid programs. This includes most accredited public, nonprofit, and private postsecondary institutions. Eligible educational institutions may choose to report payments received, or amounts billed, for qualified tuition and related expenses. The eligible educational institution must use the same reporting method for all calendar years unless the IRS grants permission to change the reporting method. In addition, reimbursement or refunds of qualified tuition and related expenses must be reported. Qualified tuition and related expenses are tuition and fees a student must pay to be enrolled at or attend an eligible educational institution. The following are not qualified tuition and related expenses:

- Amounts paid for any course or other education involving sports, games, or hobbies unless the course or other education is part of the student's degree program or is taken to acquire or improve job skills.
- Charges and fees for room, board, insurance, transportation, and similar personal, living, or family expenses.

For more information about the requirements to furnish a statement to each student, see part M in the 2008 General Instructions for Forms 1099, 1098, 5498, and W-2G.

Schools are **not** required to file Form 1098-T or furnish a statement for:

- Courses for which no academic credit is offered, even if the student is otherwise enrolled in a degree program;
- Non-resident alien students, unless requested by the student;
- Students whose qualified tuition and related expenses are entirely waived or paid entirely with scholarships or grants; and
- Students for whom you do not maintain a separate financial account and whose qualified tuition and related expenses are covered by a formal billing arrangement between an institution and the student's employer or a governmental entity, such as the Department of Veterans Affairs or the Department of Defense.

Schools should note that penalties may be imposed for failure to file or failure to furnish correct 1098-T forms. These penalties may be waived, however, under certain circumstances.

Instructions and additional information regarding Form 1098-T are available on the IRS Web site at: <http://www.irs.gov/instructions/i1098et/index.html>. For questions regarding Form 1098-T schools should contact Nancy Vaughn at 1-800-642-5626, extension 31871, or via email at vaughnn@michigan.gov.

FORM 1098-E REPORTING FOR LENDERS

Lenders or lender servicers receiving interest payments of \$600 or more from an individual in 2008 must file Form 1098-E with the IRS by March 2, 2009, or by March 31, 2009, if filing electronically. ***Copy B of Form 1098-E (or an acceptable substitute statement) must be furnished to the borrower by February 2, 2009.*** The substitute statement must comply with the format and content requirements specified in Publication 1179 that is available on the IRS Web site at www.irs.gov.

The \$600 threshold applies to each borrower regardless of the number of student loans obtained by that borrower. Lenders and lender servicers may file a separate form for each loan or may choose to file one form for the interest from all student loans of the borrower.

For loans made on or after September 1, 2004, the amount of student loan interest received by the lender or lender servicer that is reported in box 1 must include loan origination fees and capitalized interest received in 2008.

Lenders and lender servicers should refer to the 2008 Instructions for Form 1098 as well as the 2008 General Instructions for Forms 1099, 1098, 5498, W-2G, both of which may be found at www.irs.gov. If you have questions about reporting on Form 1098-E, call the IRS information reporting customer service line at 1-866-455-7438.

IT'S A WRAP

The 2008 High School Counselor Financial Aid update workshop was held on November 14th. A total of 709 high school counselors and financial aid administrators participated in the workshop, attending one of the available 26 sites throughout the state. This is the first year the workshop was broadcast as a Webcast using Internet transmission versus previous years when the program was broadcast using satellite transmission. The new broadcasting site also allowed for a studio audience, and a few counselors did take advantage of viewing the program live. The Webcast was produced by the Michigan Public Health Institute's Interactive Solutions Group.



Presentations at the workshop included updates on federal and state student financial aid programs, completing the Free Application for Federal Student Aid (FAFSA), information pertaining to youth in foster care transitioning from high school to college, verification of status as youth in foster care form, the Education Training Voucher (ETV), Michigan Education Trust/Michigan Education Savings Program (MET/MESP), and College Goal Sunday/EduGuide.

Below are comments from the counselors who attended the workshop:

"Current financial aid awareness needs to be communicated better at both the middle school and elementary levels. In communicating at all levels we can better connect the testing programs and show the progression – third through eleventh grade."

"In the midst of encouraging and supporting Internet use for college admission and financial aid, there needs to continue to be a realization that we have many families who do not have Internet access due to socio-economic factors."

"So many of metro Detroit students are not college bound that it seems redundant to discuss it so thoroughly. There should be more opportunities for trade school training and financial aid."

"I work with several low income families that do not realize the opportunities that are out there for them and I am trying to get the word out. Many think that they can't go because of finances but most probably qualify for many different services. I guess just getting them all to know seems difficult."

"Parents need information earlier – our district is discussing how to accomplish this. Ideas would be beneficial. Most often the information is given to juniors and seniors which is almost too late."

Anyone wishing to view the Webcast can find a link at http://www.michigan.gov/mistudentaid/0,1607,7-128-38193_38211-110390--,00.html. Included on the page are the PowerPoint slides and all handouts. Questions pertaining to the Webcast and materials should be directed to Peggy LaFleur at lafleurp@michigan.gov or via telephone at 1-800-642-5626, extension 38319.

ED PIPELINE

MGA is providing you with descriptions and links to some of the most recent announcements for schools and lenders from the U.S. Department of Education (ED).

- [2008-12-08](#) Updated listing of TEACH Grant eligible institutions.
 - [2008-12-05](#) COD processing update.
 - [2008-12-04](#) Reminder to submit orders for 2009-2010 application products and publications.
 - [2008-12-02](#) 2009-2010 FAFSA on the Web preview presentation.
 - [2008-11-28](#) COD processing update.
 - [2008-11-26](#) Reminder to update your federal school code information by December 30, 2008.
 - [2008-11-25](#) 2009-2010 CPS mainframe test system available.
 - [2008-11-25](#) Announcement about unavailability of SAIG enrollment Web site and FAA access to CPS online.
 - [2008-11-25](#) 2009-2010 CPS Web Demo site will be available on December 14, 2008.
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UPDATES TO MGA'S PARTICIPATING LENDER LIST

MGA has updated its Participating Lender List to provide the most current information available regarding our FFELP lending partners. This revised list is updated regularly on our Web site at mgaloan.com, with the date and time of the last update noted next to the link. The link may be accessed from our home page under MGA Highlights.

When downloaded, this Excel document will allow users to sort information by lender code, lender name, servicer, etc. It also provides information regarding additional lending criteria a lender may currently be utilizing.

If you have any questions regarding the revised Web-based list, please contact Pat Fromm at 1-800-642-5626, extension 36076, or via email at frommp@michigan.gov.

The following lender changes have occurred since the last issue of *Educational Loan Notes* and are reflected on the updated Participating Lender List. Please note that MGA can speak only to a lender's relationship with our agency. If you have questions regarding a lender's participation with another guarantor, we recommend you contact that lender or guarantor directly.

No Longer Participating

The following lender is no longer participating:

- 818590 Chase-JPMorgan Chase Bank, N.A.

UPDATES TO MGA'S ACTIVE MICHIGAN SCHOOL LIST

Information has been received from schools regarding recent changes that should be recorded by lenders on MGA's "Active Michigan School List" dated July 29, 2008. If you have any questions regarding these updates, please contact Stacy Cardwell at 1-800-642-5626, extension 36074, or via email at cardwells@michigan.gov.

Address Changes

ITT Technical Institute, Grand Rapids, 010627-00

Delete 4020 Sparks Drive SE, Grand Rapids, MI 49546. The new address is 1980 Metro Court SE, Wyoming, MI 49519. Telephone: 616-406-1200. Fax number: 616-406-1291.

Wayne County Community College, Northwest Campus, 009230-00

Delete 8551 Greenfield, Detroit, MI 48228. The new address is 8200 West Outer Drive, Detroit, MI 48219. Telephone and fax numbers remain the same.

"Q" & "A" **Best of 2008**

Regarding delivery of the award letter to the student, doesn't a school have to obtain permission from the student to use electronic notification?

Many schools want to transmit the award letter by email in order to save on printing and mailing costs. However, email is not necessarily secure, and there is no guarantee that the student will receive the message. Schools must be mindful of their obligations under FERPA to safeguard private student information. The following process seems to work well for many schools:

- New students receive their first award letter by U.S. mail.
- Returning students who have an institutional email account receive an email message directing them to a secure Web site where they may obtain their award information. This Web site lets them review the status of their awards, see a list of missing documents, accept, reject, or reduce their loans, verify their SAP status, review their cost of attendance information (and any adjustments), review their loan history, and tell the

school about outside scholarships. The Web site also may include information about the student's account and any scheduled disbursements.

- The secure Web site should record the date and subject of any messages sent to the student and also keep a log of when the student used the Web site. Ideally the Web site should allow the student to review old messages previously sent to them.
- Any returning student who does not log in to the secure award letter Web site within a certain time frame is sent a printed award letter by U.S. mail.

Since the school must have the student's written consent to use electronic notification, and the signature on the FAFSA is insufficient, many schools will use the first award letter to obtain the required consent. They will then send subsequent award letters only to students who have not given consent. For more information, see the "Q" and "A" in the January 2008 issue of *Educational Loan Notes*.

Can a student complete a Master Promissory Note and borrow Stafford loan funds if they are only 16 years old?

In order for an underage student to receive Stafford loan funds, the student needs a high school diploma or its recognized equivalent if the student has been home-schooled [§ 668.32(e)(1)]. Federal regulations do not require a home-schooled student to pass an ability-to-benefit test approved by the U.S. Department of Education in order to qualify for Title IV assistance [§ 668.32(e)(4); DCL Gen-02-11].

The Higher Education Act of 1965, as amended, does not place age limitations on borrower eligibility, and, in fact, contains explicit provisions to ensure that any note signed by an otherwise underage student borrower is enforceable despite the borrowers' age. For more information, see the "Q" and "A" in the February 2008 issue of *Educational Loan Notes*.

What happens when a student or parent borrower requests a cancellation on a Federal Stafford loan after the time period elapses?

If a student or parent borrower requests cancellation of a loan after the 14-day period or the first day of the payment period, the school may, but is not required to, return the loan proceeds, cancel all or a portion of the loan or loan disbursement, or do both. For more information, see the "Q" and "A" in the March 2008 issue of *Educational Loan Notes*.

What determines adverse credit history?

To borrow a PLUS loan, the applicant must not have an adverse credit history. Adverse credit is defined in the regulations as the applicant being 90 days or more delinquent on a debt or having been subject in the last five years to a default determination, bankruptcy discharge, foreclosure, repossession, tax lien, wage garnishment, or write-off of an FSA debt. The absence of any credit history is not considered adverse credit. FFEL lenders may establish more restrictive credit standards for determining adverse credit.

When determining whether a PLUS borrower is ineligible for a PLUS loan based on an adverse credit history, the lender, or ED for Direct Loans, must obtain a credit report on the parent from at least one national credit bureau. To provide a more accurate determination of adverse credit, the report must be obtained within a timeframe reasonably related to the loan period. If the PLUS borrower requests additional funds for an existing loan period (resulting in a loan amount adjustment, not a new loan), the lender is not required to obtain a new credit report, but may elect to do so.

If a PLUS borrower has an adverse credit history, the applicant has the option of receiving a PLUS loan using an endorser who does not have an adverse credit history. If an endorser will be used, a separate Endorser Addendum is required for each PLUS loan. Any loan that requires an endorser must be made under a new PLUS MPN, with a new Endorser Addendum, because the endorser is liable only for the specific loan or loans he or she has agreed to endorse. The Endorser Addendum includes the requested loan amount. Any increase in the requested loan amount by the parent borrower must be approved by the endorser and requires a new MPN and Endorser Addendum. For more information, see the “Q” and “A” in the April 2008 issue of *Educational Loan Notes*.

What are a school’s options for paying credit balances?

A school may pay a credit balance to a student by issuing a check payable to and requiring the endorsement of the student or parent. A school is considered to have issued the check on the date that it mails the check to the student or parent or notifies the student that the check is available for immediate pickup. The notice to the student must include the specific location where the student can pick up the check. The school may hold the check for up to 21 days after the date it notifies the student. If the student does not pick up the check within the 21-day period, the institution must immediately mail the check to the student or parent, initiate an electronic funds transfer (EFT) to the student’s bank account, or return the funds to the appropriate Title IV HEA program.

A school may also pay a credit balance by initiating an EFT to a bank account designated by the student or the parent. A school may establish a policy requiring its students to provide bank account information or to open an account at a bank of their choosing, as long as this policy does not delay the disbursement of Federal Student Aid (FSA) funds to students. Consequently, if a student does not comply with the school’s policy, the school must nevertheless disburse the funds to the student either by dispensing cash for which the school obtains a signed receipt or issuing a check. A school must disburse the credit balance within the regulatory timeframes.

Note: *Bank Account* means a Federal Deposit Insurance Corporation (FDIC) insured account or a National Credit Union Share Insurance Fund (NCUSIF) account. This account may be a checking, savings, or similar account that underlies a stored-value card or other transaction device.

For more information, see the “Q” and “A” in the May 2008 issue of *Educational Loan Notes*.

What resources are available to financial aid administrators that explain, interpret, or outline Title IV laws?

There are many resources available for financial aid administrators which explain, interpret, and/or outline Title IV laws. Actual laws, rules, and regulations may be found in the following official published documents:

- The Higher Education Act of 1965 (HEA), as amended, otherwise known as Public Law 89-329, 79 STAT 1219, was established to “strengthen the educational resources of [our] colleges and universities and to provide financial assistance for students in postsecondary and higher education.” In short, and what is pertinent to federal financial aid, the HEA outlines the governance and procedures of awarding and disbursing financial aid.
- Volume 34 of the Code of Federal Regulations (34 CFR) contains most of the regulations that govern student financial aid programs which have been authorized by the Higher Education Act. These regulations are published by the U.S. Department of Education (ED) to govern how schools, lenders, servicers, and guarantors administer federal student aid programs.

- Dear Colleague Letters (DCLs) and Dear Partner Letters (DPLs) are letters sent out by ED to schools, lenders, servicers, and guarantors to provide interpretive guidance concerning laws and regulations governing student aid programs.
- Regulatory Waivers are published by the U.S. Secretary of Education to provide relief to borrowers, schools, lenders, or guarantors from certain regulatory provisions. The Secretary is afforded this authority under 432(a)(6) of the HEA of 1965 as amended.

Additionally, ED as well as other organizations have compiled the following resources to make the laws, rules, and regulations easier to understand and more fluid:

- The Federal Student Aid Handbook is produced annually by ED to help participants in student aid better understand the procedures of originating and disbursing aid in accordance with the rules and regulations governing those programs. Offshoots of this handbook include the Application and Verification Guide and the Federal Student Aid Handbook for Foreign Schools.
- Cohort Default Rate Guide is primarily used by the student loan community to help better understand the processes associated with the application of cohort default rate regulations.
- Audit Guidance is published by ED to help schools prepare for their required audits. A separate audit guide is also available for lenders.
- Common Manual: Unified Student Loan Policy is an introduction and overview of FFELP. It is designed to help train new financial aid staff and to assist experienced financial aid professionals in finding answers to questions about federal regulations and guarantor policies.

The majority of these resources may be downloaded from the Information for Financial Aid Professionals (IFAP) Library at www.ifap.ed.gov or by contacting MGA directly for instructions at 1-800-642-5626, extension 77009. The Common Manual may be accessed at www.commonmanual.org.

For more information, see the “Q” and “A” in the June 2008 issue of *Educational Loan Notes*.

What NSLDS changes have been implemented for ISIRs?

The National Student Loan Data System (NSLDS) has several new updates for the Institutional Student Information Record (ISIR).

1. When a student's NSLDS data has been reported as fraud, NSLDS will notify CPS (Central Processing System) via a new Fraud flag that will be included on the student's ISIR. This will help financial aid administrators identify an applicant's ISIR whose eligibility is impacted due to fraudulently received Title IV aid.
2. NSLDS will report the appropriate aggregate loan limit flag(s) to CPS for inclusion on the ISIR. The flags will be displayed on the last page of the ISIR's NSLDS Financial Aid History. These flags are for both undergraduate and graduate, subsidized and combined loan limits, and will include:
 - C – Close to or equal to loan limit
 - E – Exceeded loan limit
 - N – Not near the limit

3. NSLDS will continue to send to CPS for inclusion on the ISIR the three most relevant ACG and National SMART Grant award data based on the grants with the highest academic year level and most recently reported grant data from the COD system. The three new fields will be added, along with the ACG and SMART Grant award year, to the ISIR record layout.

Details regarding all NSLDS fields displayed on the ISIR are available from the 2008-2009 EDE Technical Reference which may be downloaded as a PDF document from the FSA download Web site at [FSA Software & Manuals](#) and on IFAP at www.ifap.ed.gov.

For more information, see the “Q” and “A” in the July 2008 issue of *Educational Loan Notes*.

Is there an easy way to determine from looking at NSLDS codes if a borrower is eligible for Title IV funds?

Yes. This table is found in the Federal Student Handbook, Award Year 2008-2009, Volume 1, Chapter 3, pages 49 and 50: NSLDS Financial Aid History. The first column is the NSLDS code, the second column explains the code, and the third column states if the student is eligible for Title IV funds for that code/status. Please refer to the [two-page chart](#).

For more information, see the “Q” and “A” in the August 2008 issue of *Educational Loan Notes*.

How does a school determine its completion, drop-out, or transfer-out rates?

A school must identify a group of students each year (a cohort) and review that cohort's performance consistently over time. This is known as a *snapshot* approach and should be applied the same way annually. Schools that have nonstandard terms must count all first-time students who are certificate- or degree-seeking, full-time undergraduates who enter the school between September 1 and August 31 as a cohort.

For more information, see the “Q” and “A” in the September 2008 issue of *Educational Loan Notes*.

Is there a solution to cover expenses when a school charges for the entire cost of a program longer than an academic year?

An institution may encounter a problem with prior year expenses when it charges a student up front for the entire cost of a program longer than an academic year or when a program occurs in two award years. If there are no tuition charges in the subsequent loan period or award year, the student may have unpaid tuition expenses in the second year of a program from the prior year that cannot be covered by the second year's aid, except for the \$200 amount. To avoid this situation, an institution may charge the student on a payment period basis. An institution and student may enter into a contract for the entire program, with full program costs cited, allowing the institution to charge the student a fractional amount of the program's cost on a periodic basis.

For more information, see the “Q” and “A” in the October 2008 issue of *Educational Loan Notes*.

Are there any circumstances where a school may disclose records without consent from the eligible student?

FERPA allows schools to disclose records, without consent, to the following parties or under the following conditions (34 CFR § 99.31):

- School officials with legitimate educational interest;
- Other schools to which a student is transferring;

- Specified officials for audit or evaluation purposes;
- Appropriate parties in connection with financial aid to a student;
- Organizations conducting certain studies for or on behalf of the school;
- Accrediting organizations;
- To comply with a judicial order or lawfully issued subpoena;
- Appropriate officials in cases of health and safety emergencies; and
- State and local authorities, within a juvenile justice system, pursuant to specific state law.

Schools may disclose, without consent, "directory" information such as a student's name, address, telephone number, date and place of birth, honors and awards, and dates of attendance. However, schools must tell parents and eligible students about directory information and allow parents and eligible students a reasonable amount of time to request that the school not disclose directory information about them. Schools must notify parents and eligible students annually of their rights under FERPA. The actual means of notification (special letter, inclusion in a PTA bulletin, student handbook, or newspaper article) is left to the discretion of each school.

For more information, see the "Q" and "A" in the November 2008 issue of *Educational Loan Notes*.

All *Educational Loan Notes* have been archived on our Web site including the "[Q](#)" and "[A](#)" for each month of 2008.

CALENDAR OF UPCOMING EVENTS

Following is a list of upcoming events of interest to the financial aid community. If you have any items that you would like to see added to our calendar, please contact Jim Peterson at 1-800-642-5626, extension 36944, or via email at petersonj@michigan.gov.

December 2008

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| 16 | MGA Lender Webinar
1:30-3:00 p.m. |
| 24-25 | MGA Offices Closed |
| 31 | MGA Offices Closed |

January 2009

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| 1 | MGA Offices Closed |
| 19 | MGA Offices Closed |
| 25-28 | MSFAA Winter Training
The Ritz-Carlton
Dearborn, Michigan |

February 2009

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| 16 | MGA Offices Closed |
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